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CC Docket 98-1

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Federal Communications Commission
Office of Secretary

**The Public Interest Benefits of the
SBC-Ameritech Merger**

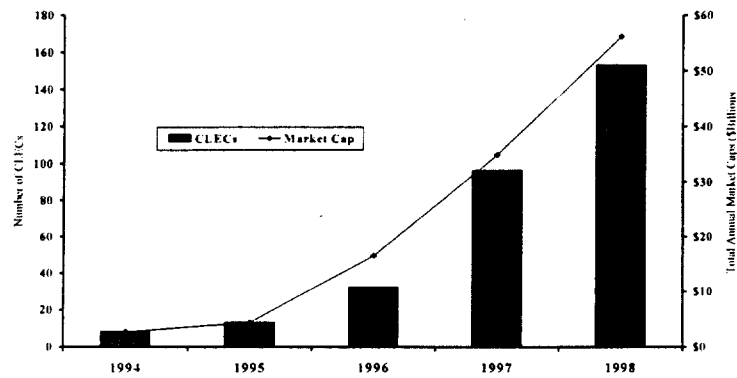
**Presented to
Public Forum on Applications for Transfer of Control
CC Docket No. 98-141
May 6, 1999**

by
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Dramatic Growth in CLEC Entry Nationwide

Number of CLECs and CLEC Market Capitalization



Source: "Local Competition," FCC Industry Analysis Division Report, December 1998; CRSP database; CompuStat database; Bloomberg database; Trade Press; Corporate Press Releases.

NOTE: CLEC counts represent all CLECs as reported in the FCC "Local Competition Report." Market Caps include public facilities based CLECs and are based on common stock. MCI is not included because the market cap could not be calculated separately for CLEC business.

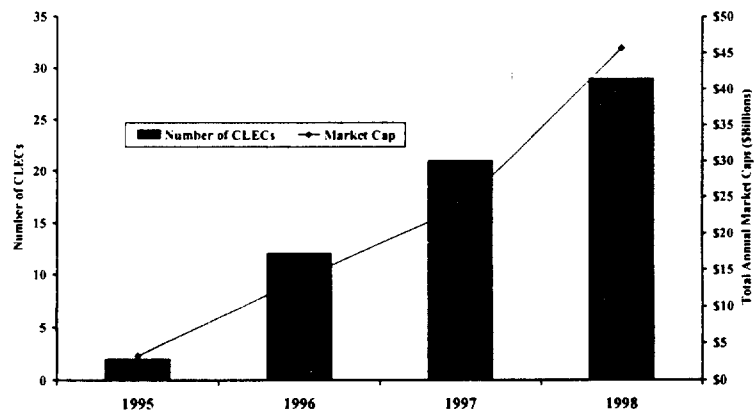
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Dramatic Growth in CLEC Entry California

Number of CLECs and CLEC Market Capitalization



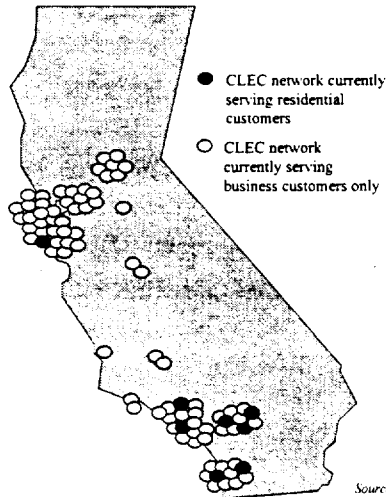
Source: "Local Competition," FCC Industry Analysis Division Report, December 1998; CRSP database; CompuStat database; Bloomberg database; Trade Press; Corporate Press Releases.

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California Facilities-Based Competition



- At the time the SBC/Pacific Telesis merger was announced, 8 facilities-based CLECs were providing service over 33 networks in California.
- **Today, there are 16 facilities-based CLECs providing service over 84 networks.**
- 69% of CLECs offer local exchange service in 4 or more California markets
- 4 CLECs in California are providing service to residential customers over 8 networks.
- RCN is planning to serve residential customers in the San Francisco market.

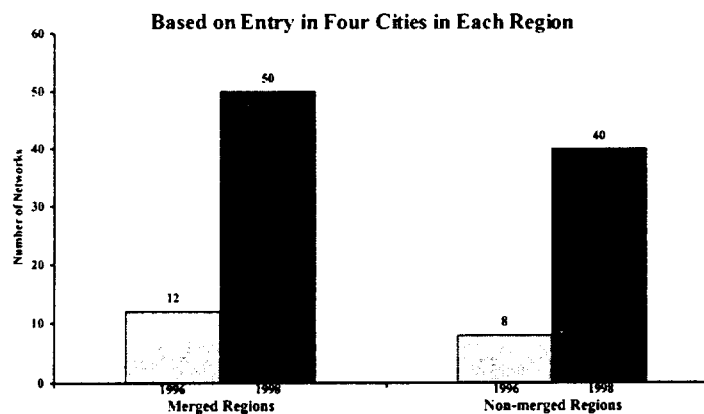
Source: Company Web Sites, Company Press Releases, Trade Press Articles.

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Comparison of CLEC Entry in Merged and Non-merged Regions



Merged Regions: Boston, Dallas, SF, Washington DC. Non-merged Regions: Atlanta, Denver, Miami, Minneapolis
Selected cities have similar Rand McNally city ratings

Source: "Local Competition," FCC Industry Analysis Division Report, December 1998. Company Web Sites, Company Press Releases, Trade Press Articles, SEC Filings, Analyst Reports, Rand McNally, "Commercial Atlas and Marketing Guide (1999)"

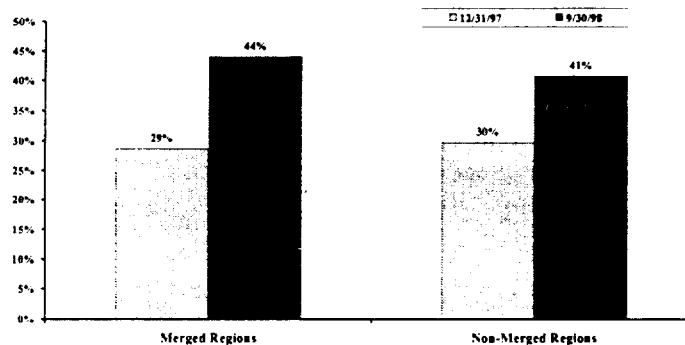
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Comparison of Collocation in Merged and Non-merged Regions

Percentage of Lines in Wire Centers With Collocation



Merged Regions: SBC, PT, BA, Nynex. Non-merged Regions: BellSouth, U S WEST
Ameritech excluded given announced merger with SBC

Source: Responses to the FCC Common Carrier Bureau's First and Third Surveys on the State of Local Competition, released March 27, 1998 and January 20, 1999

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IXC Statements Support Reason for Merger

- Mr. William Esrey, Chairman and CEO of Sprint
"I think at a minimum, they [BellSouth] are going to have to partner with somebody because the regional presence will not be enough." (Atlanta Journal and Constitution, Jan. 20, 1999)
- AT&T Marketing Materials
"AT&T maintains a nationwide presence, unlike regional local service competitors." (AT&T Digital Link Service Benefits - Web Page)
- MCI WorldCom Marketing Materials
MCI WorldCom "can carry all the data traffic of all the other carriers combined to more places around the world than any other network." (MCI WorldCom TV ad, first aired 9/15/98)

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MC² WorldCom is a Strong Competitor

Local Service

- Offers nationwide service in over 100 large cities through MCI Metro, Brooks Fiber and MFS
- Serves 30,000 buildings nationally

Internet Services

- \$2 billion revenue; 70% annual growth
- Serves 42% of S&P 500 companies
- Highest capacity backbone offering Internet service through UUNET, CompuServe and AOL networks

Long Distance

- 2nd largest long distance provider with 45,000 mile national network
- 25 percent of U.S. long distance revenue

Global Services

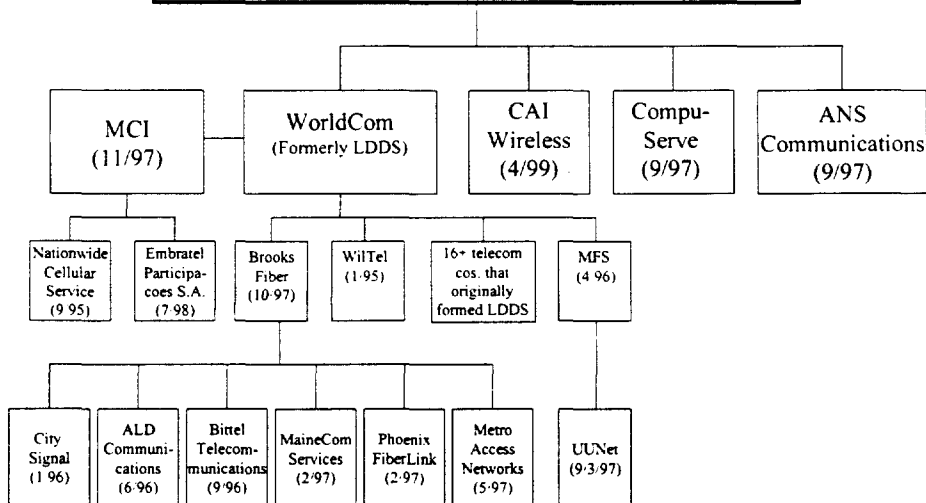
- Serves 40% of Fortune "Global" 500 companies
- Range of local, long distance, data and Internet services

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MC² WorldCom Mergers and Acquisitions



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AT&T is a Strong Competitor

Local (business)



- Nationwide presence in 83 major cities
- \$11 billion merger
- Offers local exchange service to business today

Local (residential)



- TCI and Time Warner
- Access to 40% of U.S. households
- Pursuing national footprint with additional cable alliances

Long Distance



- \$24 billion consumer rev.; \$22 billion long distance revenue
- National and international data services

Wireless



- National footprint
- Over 9 million customers nationwide
- Aggressively marketing One Rate plan

Internet



- 2 million subscribers in U.S.
- Expanding WorldNet through acquisition of IBM global network

Global



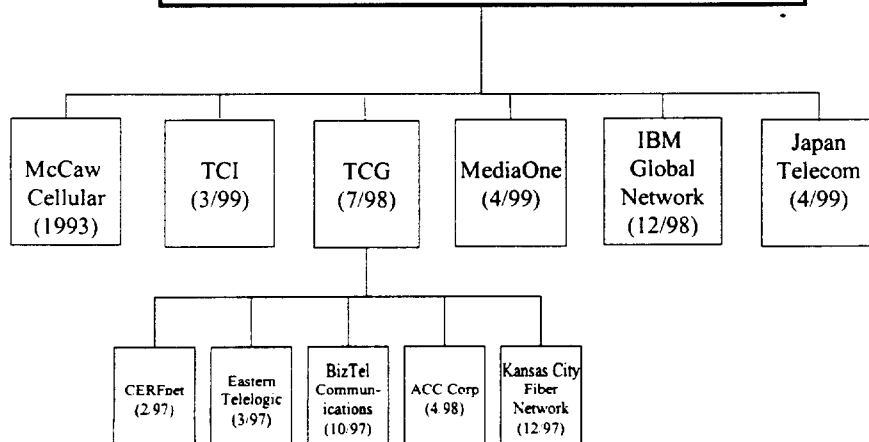
- \$10 billion AT&T/BT joint venture
- \$5 billion acquisition of IBM's global network
- Alliance with 6 international carriers

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AT&T Mergers and Acquisitions



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**FCC Assessed Conditions Properly
in AT&T/TCI Merger Proceeding**

- “There is no need to impose a merger condition on only one cable operator among many for an alleged harm that is not traceable to the merger.” ¶117
- “...does not adequately explain how such a requirement would remedy a merger-related issue. Furthermore, the interpretation and enforcement of state regulations are best carried out at the state level.” ¶58
- “We find that digital broadcast signal carriage requirements should be addressed in the Commission’s pending rulemaking proceeding and not here.” ¶43

Source: *In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Telecommunications, Inc., Transferor. To AT&T Corp., Transferee.* (CS Docket No. 98-178) Memorandum Opinion and Order, Adopted: February 17, 1999 Released: February 18, 1999, Federal Communications Commission, Washington, D.C. 20554

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